House Engrossed

State of Arizona
House of Representatives
Forty-fifth Legislature
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CHAPTER 57

HOUSE BILL 2234

AN ACT

AMENDING SECTION 20-826, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 4, ARTICLE 9, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-1057.08; AMENDING SECTIONS 20-1402 AND 20-1404, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 13, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-2329; RELATING TO HEALTH CARE INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-826, Arizona Revised Statutes, is amended to read:

20-826. Subscription contracts; definitions

A. A contract between a corporation and its subscribers shall not be issued unless the form of such contract is approved in writing by the director.

B. Each contract shall plainly state the services to which the subscriber is entitled and those to which the subscriber is not entitled under the plan, and shall constitute a direct obligation of the providers of services with which the corporation has contracted for hospital, medical, dental or optometric services.

C. Each contract, except for dental services or optometric services, shall be so written that the corporation shall pay benefits for each of the following:

1. Performance of any surgical service that is covered by the terms of such contract, regardless of the place of service.

2. Any home health services that are performed by a licensed home health agency and that a physician has prescribed in lieu of hospital services, as defined by the director, providing the hospital services would have been covered.

3. Any diagnostic service that a physician has performed outside a hospital in lieu of inpatient service, providing the inpatient service would have been covered.

4. Any service performed in a hospital's outpatient department or in a freestanding surgical facility, if such service would have been covered if performed as an inpatient service.

D. Each contract for dental or optometric services shall be so written that the corporation shall pay benefits for contracted dental or optometric services provided by dentists or optometrists.

E. Any contract, except accidental death and dismemberment, applied for that provides family coverage shall, as to such coverage of family members, also provide that the benefits applicable for children shall be payable with respect to a newly born child of the insured from the instant of such child's birth, to a child adopted by the insured, regardless of the age at which the child was adopted, and to a child who has been placed for adoption with the insured and for whom the application and approval procedures for adoption pursuant to section 8-105 or 8-108 have been completed to the same extent that such coverage applies to other members of the family. The coverage for newly born or adopted children or children placed for adoption shall include coverage of injury or sickness including necessary care and treatment of medically diagnosed congenital defects and birth abnormalities. If payment of a specific premium is required to provide coverage for a child, the contract may require that notification of birth, adoption or adoption placement of the child and payment of the required

premium must be furnished to the insurer within thirty-one days after the date of birth, adoption or adoption placement in order to have the coverage continue beyond the thirty-one day period.

F. Each contract that is delivered or issued for delivery in this state after December 25, 1977 and that provides that coverage of a dependent child shall terminate upon attainment of the limiting age for dependent children specified in the contract shall also provide in substance that attainment of such limiting age shall not operate to terminate the coverage of such child while the child is and continues to be both incapable of self-sustaining employment by reason of mental retardation or physical handicap and chiefly dependent upon the subscriber for support and maintenance. Proof of such incapacity and dependency shall be furnished to the corporation by the subscriber within thirty-one days of the child's attainment of the limiting age and subsequently as may be required by the corporation, but not more frequently than annually after the two-year period following the child's attainment of the limiting age.

G. No corporation may cancel or refuse to renew any subscriber's contract without giving notice of such cancellation or nonrenewal to the subscriber under such contract. A notice by the corporation to the subscriber of cancellation or nonrenewal of a subscription contract shall be mailed to the named subscriber at least forty-five days before the effective date of such cancellation or nonrenewal. The notice shall include or be accompanied by a statement in writing of the reasons for such action by the corporation. Failure of the corporation to comply with the provisions of this subsection shall invalidate any cancellation or nonrenewal except a cancellation or nonrenewal for nonpayment of premium.

H. A contract that provides coverage for surgical services for a mastectomy shall also provide coverage incidental to the patient's covered mastectomy for surgical services for reconstruction of the breast on which the mastectomy was performed, surgery and reconstruction of the other breast to produce a symmetrical appearance, prostheses, treatment of physical complications for all stages of the mastectomy, including lymphedemas, and at least two external postoperative prostheses subject to all of the terms and conditions of the policy.

I. A contract that provides coverage for surgical services for a mastectomy shall also provide coverage for mammography screening performed on dedicated equipment for diagnostic purposes on referral by a patient's physician, subject to all of the terms and conditions of the policy and according to the following guidelines:

1. A baseline mammogram for a woman from age thirty-five to thirty-nine.

2. A mammogram for a woman from age forty to forty-nine every two years or more frequently based on the recommendation of the woman's physician.

3. A mammogram every year for a woman fifty years of age and over.

J. Any contract that is issued to the insured and that provides coverage for maternity benefits shall also provide that the maternity benefits apply to the costs of the birth of any child legally adopted by the insured if all of the following are true:

1. The child is adopted within one year of birth.

2. The insured is legally obligated to pay the costs of birth.

3. All preexisting conditions and other limitations have been met by the insured.

4. The insured has notified the insurer of the insured's acceptability to adopt children pursuant to section 8-105, within sixty days after such approval or within sixty days after a change in insurance policies, plans or companies.

K. The coverage prescribed by subsection J of this section is excess to any other coverage the natural mother may have for maternity benefits except coverage made available to persons pursuant to title 36, chapter 29 but not including coverage made available to persons defined as eligible under section 36-2901, paragraph 6, subdivisions (b), (c), (d) and (e). If such other coverage exists the agency, attorney or individual arranging the adoption shall make arrangements for the insurance to pay those costs that may be covered under that policy and shall advise the adopting parent in writing of the existence and extent of the coverage without disclosing any confidential information such as the identity of the natural parent. The insured adopting parents shall notify their insurer of the existence and extent of the other coverage.

L. The director may disapprove any contract if the benefits provided in the form of such contract are unreasonable in relation to the premium charged.

M. The director shall adopt emergency rules applicable to persons who are leaving active service in the armed forces of the United States and returning to civilian status including:

1. Conditions of eligibility.

2. Coverage of dependents.

3. Preexisting conditions.

4. Termination of insurance.

5. Probationary periods.

6. Limitations.

7. Exceptions.

8. Reductions.

9. Elimination periods.

10. Requirements for replacement.

11. Any other condition of subscription contracts.

N. Any contract that provides maternity benefits shall not restrict benefits for any hospital length of stay in connection with childbirth for the mother or the newborn child to less than forty-eight hours following a normal vaginal delivery or ninety-six hours following a cesarean

section. The contract shall not require the provider to obtain authorization from the corporation for prescribing the minimum length of stay required by this subsection. The contract may provide that an attending provider in consultation with the mother may discharge the mother or the newborn child before the expiration of the minimum length of stay required by this subsection. The corporation shall not:

1. Deny the mother or the newborn child eligibility or continued eligibility to enroll or to renew coverage under the terms of the contract solely for the purpose of avoiding the requirements of this subsection.

2. Provide monetary payments or rebates to mothers to encourage those mothers to accept less than the minimum protections available pursuant to this subsection.

3. Penalize or otherwise reduce or limit the reimbursement of an attending provider because that provider provided care to any insured under the contract in accordance with this subsection.

4. Provide monetary or other incentives to an attending provider to induce that provider to provide care to an insured under the contract in a manner that is inconsistent with this subsection.

5. Except as described in subsection O of this section, restrict benefits for any portion of a period within the minimum length of stay in a manner that is less favorable than the benefits provided for any preceding portion of that stay.

O. Nothing in subsection N of this section:

1. Requires a mother to give birth in a hospital or to stay in the hospital for a fixed period of time following the birth of the child.

2. Prevents a corporation from imposing deductibles, coinsurance or other cost sharing in relation to benefits for hospital lengths of stay in connection with childbirth for a mother or a newborn child under the contract, except that any coinsurance or other cost sharing for any portion of a period within a hospital length of stay required pursuant to subsection N of this section shall not be greater than the coinsurance or cost sharing for any preceding portion of that stay.

3. Prevents a corporation from negotiating the level and type of reimbursement with a provider for care provided in accordance with subsection N of this section.

P. Any contract that provides coverage for diabetes shall also provide coverage for equipment and supplies that are medically necessary and that are prescribed by a health care provider including:

1. Blood glucose monitors.

2. Blood glucose monitors for the legally blind.

3. Test strips for glucose monitors and visual reading and urine testing strips.

4. Insulin preparations and glucagon.

5. Insulin cartridges.

6. Drawing up devices and monitors for the visually impaired.

7. Injection aids.
8. Insulin cartridges for the legally blind.
9. Syringes and lancets including automatic lancing devices.
10. Prescribed oral agents for controlling blood sugar that are included on the plan formulary.
11. To the extent coverage is required under medicare, podiatric appliances for prevention of complications associated with diabetes.
12. Any other device, medication, equipment or supply for which coverage is required under medicare from and after January 1, 1999. The coverage required in this paragraph is effective six months after the coverage is required under medicare.

Q. Nothing in subsection P of this section prohibits a medical service corporation, a hospital service corporation or a hospital, medical, dental and optometric service corporation from imposing deductibles, coinsurance or other cost sharing in relation to benefits for equipment or supplies for the treatment of diabetes.

R. Any hospital or medical service contract that provides coverage for prescription drugs shall not limit or exclude coverage for any prescription drug prescribed for the treatment of cancer on the basis that the prescription drug has not been approved by the United States food and drug administration for the treatment of the specific type of cancer for which the prescription drug has been prescribed, if the prescription drug has been recognized as safe and effective for treatment of that specific type of cancer in one or more of the standard medical reference compendia prescribed in subsection S of this section or medical literature that meets the criteria prescribed in subsection S of this section. The coverage required under this subsection includes covered medically necessary services associated with the administration of the prescription drug. This subsection does not:

1. Require coverage of any prescription drug used in the treatment of a type of cancer if the United States food and drug administration has determined that the prescription drug is contraindicated for that type of cancer.
2. Require coverage for any experimental prescription drug that is not approved for any indication by the United States food and drug administration.
3. Alter any law with regard to provisions that limit the coverage of prescription drugs that have not been approved by the United States food and drug administration.
4. Notwithstanding section 20-841.05, require reimbursement or coverage for any prescription drug that is not included in the drug formulary or list of covered prescription drugs specified in the contract.
5. Notwithstanding section 20-841.05, prohibit a contract from limiting or excluding coverage of a prescription drug, if the decision to limit or exclude coverage of the prescription drug is not based primarily on the coverage of prescription drugs required by this section.

6. Prohibit the use of deductibles, coinsurance, copayments or other cost sharing in relation to drug benefits and related medical benefits offered.

S. For the purposes of subsection R of this section:

1. The acceptable standard medical reference compendia are the following:

(a) The American medical association drug evaluations, a publication of the American medical association.

(b) The American hospital formulary service drug information, a publication of the American society of health system pharmacists.

(c) Drug information for the health care provider, a publication of the United States pharmacopoeia convention.

2. Medical literature may be accepted if all of the following apply:

(a) At least two articles from major peer reviewed professional medical journals have recognized, based on scientific or medical criteria, the drug's safety and effectiveness for treatment of the indication for which the drug has been prescribed.

(b) No article from a major peer reviewed professional medical journal has concluded, based on scientific or medical criteria, that the drug is unsafe or ineffective or that the drug's safety and effectiveness cannot be determined for the treatment of the indication for which the drug has been prescribed.

(c) The literature meets the uniform requirements for manuscripts submitted to biomedical journals established by the international committee of medical journal editors or is published in a journal specified by the United States department of health and human services as acceptable peer reviewed medical literature pursuant to section 186(t)(2)(B) of the social security act (42 United States Code section 1395x(t)(2)(B)).

T. A corporation shall not issue or deliver any advertising matter or sales material to any person in this state until the corporation files the advertising matter or sales material with the director. This subsection does not require a corporation to have the prior approval of the director to issue or deliver the advertising matter or sales material. If the director finds that the advertising matter or sales material, in whole or in part, is false, deceptive or misleading, the director may issue an order disapproving the advertising matter or sales material, directing the corporation to cease and desist from issuing, circulating, displaying or using the advertising matter or sales material within a period of time specified by the director but not less than ten days and imposing any penalties prescribed in this title. At least five days before issuing an order pursuant to this subsection, the director shall provide the corporation with a written notice of the basis of the order to provide the corporation with an opportunity to cure the alleged deficiency in the advertising matter or sales material within a single five day period for the particular advertising matter or sales material at issue. The corporation may appeal the director's order pursuant to title 41,

chapter 6, article 10. Except as otherwise provided in this subsection, a corporation may obtain a stay of the effectiveness of the order as prescribed in section 20-162. If the director certifies in the order and provides a detailed explanation of the reasons in support of the certification that continued use of the advertising matter or sales material poses a threat to the health, safety or welfare of the public, the order may be entered immediately without opportunity for cure and the effectiveness of the order is not stayed pending the hearing on the notice of appeal but the hearing shall be promptly instituted and determined.

U. Any contract that is offered by a hospital service corporation or medical service corporation and that contains a prescription drug benefit shall provide coverage of medical foods to treat inherited metabolic disorders as provided by this section.

V. The metabolic disorders triggering medical foods coverage under this section shall:

1. Be part of the newborn screening program prescribed in section 36-694.

2. Involve amino acid, carbohydrate or fat metabolism.

3. Have medically standard methods of diagnosis, treatment and monitoring including quantification of metabolites in blood, urine or spinal fluid or enzyme or DNA confirmation in tissues.

4. Require specially processed or treated medical foods that are generally available only under the supervision and direction of a physician who is licensed pursuant to title 32, chapter 13 or 17, that must be consumed throughout life and without which the person may suffer serious mental or physical impairment.

W. Medical foods eligible for coverage under this section shall be prescribed or ordered under the supervision of a physician licensed pursuant to title 32, chapter 13 or 17 as medically necessary for the therapeutic treatment of an inherited metabolic disease.

X. A hospital service corporation or medical service corporation shall cover at least fifty per cent of the cost of medical foods prescribed to treat inherited metabolic disorders and covered pursuant to this section. A hospital service corporation or medical service corporation may limit the maximum annual benefit for medical foods under this section to five thousand dollars, which applies to the cost of all prescribed modified low protein foods and metabolic formula.

Y. ANY CONTRACT BETWEEN A CORPORATION AND ITS SUBSCRIBERS IS SUBJECT TO THE FOLLOWING:

1. IF THE CONTRACT PROVIDES COVERAGE FOR PRESCRIPTION DRUGS, THE CONTRACT SHALL PROVIDE COVERAGE FOR ANY PRESCRIBED DRUG OR DEVICE THAT IS APPROVED BY THE UNITED STATES FOOD AND DRUG ADMINISTRATION FOR USE AS A CONTRACEPTIVE. A CORPORATION MAY USE A DRUG FORMULARY, MULTITIERED DRUG FORMULARY OR LIST BUT THAT FORMULARY OR LIST SHALL INCLUDE ORAL, IMPLANT AND INJECTABLE CONTRACEPTIVE DRUGS, INTRAUTERINE DEVICES AND PRESCRIPTION BARRIER

METHODS IF THE CORPORATION DOES NOT IMPOSE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR CONTRACEPTIVE DRUGS THAT ARE GREATER THAN THE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR OTHER DRUGS ON THE SAME LEVEL OF THE FORMULARY OR LIST.

2. IF THE CONTRACT PROVIDES COVERAGE FOR OUTPATIENT HEALTH CARE SERVICES, THE CONTRACT SHALL PROVIDE COVERAGE FOR OUTPATIENT CONTRACEPTIVE SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH, "OUTPATIENT CONTRACEPTIVE SERVICES" MEANS CONSULTATIONS, EXAMINATIONS, PROCEDURES AND MEDICAL SERVICES PROVIDED ON AN OUTPATIENT BASIS AND RELATED TO THE USE OF UNITED STATES FOOD AND DRUG PRESCRIPTION CONTRACEPTIVE METHODS TO PREVENT UNINTENDED PREGNANCIES.

3. THIS SUBSECTION DOES NOT APPLY TO CONTRACTS ISSUED TO INDIVIDUALS ON A NONGROUP BASIS.

Z. NOTWITHSTANDING SUBSECTION Y OF THIS SECTION, A RELIGIOUS EMPLOYER WHOSE RELIGIOUS TENETS PROHIBIT THE USE OF PRESCRIBED CONTRACEPTIVE METHODS MAY REQUIRE THAT THE CORPORATION PROVIDE A CONTRACT WITHOUT COVERAGE FOR ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS. A RELIGIOUS EMPLOYER SHALL SUBMIT A WRITTEN AFFIDAVIT TO THE CORPORATION STATING THAT IT IS A RELIGIOUS EMPLOYER. ON RECEIPT OF THE AFFIDAVIT, THE CORPORATION SHALL ISSUE TO THE RELIGIOUS EMPLOYER A CONTRACT THAT EXCLUDES COVERAGE OF PRESCRIPTION CONTRACEPTIVE METHODS. THE CORPORATION SHALL RETAIN THE AFFIDAVIT FOR THE DURATION OF THE CONTRACT AND ANY RENEWALS OF THE CONTRACT. BEFORE ENROLLMENT IN THE PLAN, EVERY RELIGIOUS EMPLOYER THAT INVOKES THIS EXEMPTION SHALL PROVIDE PROSPECTIVE SUBSCRIBERS WRITTEN NOTICE THAT THE RELIGIOUS EMPLOYER REFUSES TO COVER ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS FOR RELIGIOUS REASONS. THIS SUBSECTION SHALL NOT EXCLUDE COVERAGE FOR PRESCRIPTION CONTRACEPTIVE METHODS ORDERED BY A HEALTH CARE PROVIDER WITH PRESCRIPTIVE AUTHORITY FOR MEDICAL INDICATIONS OTHER THAN TO PREVENT AN UNINTENDED PREGNANCY. A CORPORATION MAY REQUIRE THE SUBSCRIBER TO FIRST PAY FOR THE PRESCRIPTION AND THEN SUBMIT A CLAIM TO THE CORPORATION ALONG WITH EVIDENCE THAT THE PRESCRIPTION IS FOR A NONCONTRACEPTIVE PURPOSE. A CORPORATION MAY CHARGE AN ADMINISTRATIVE FEE FOR HANDLING THESE CLAIMS. A RELIGIOUS EMPLOYER SHALL NOT DISCRIMINATE AGAINST AN EMPLOYEE WHO INDEPENDENTLY CHOOSES TO OBTAIN INSURANCE COVERAGE OR PRESCRIPTIONS FOR CONTRACEPTIVES FROM ANOTHER SOURCE.

~~Y.~~ AA. For the purposes of:

1. This section:

(a) "Inherited metabolic disorder" means a disease caused by an inherited abnormality of body chemistry and includes a disease tested under the newborn screening program prescribed in section 36-694.

(b) "Medical foods" means modified low protein foods and metabolic formula.

(c) "Metabolic formula" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to be deficient in one or more of the nutrients present in typical foodstuffs.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

(d) "Modified low protein foods" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to contain less than one gram of protein per unit of serving, but does not include a natural food that is naturally low in protein.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

2. Subsection E of this section, the term "child", for purposes of initial coverage of an adopted child or a child placed for adoption but not for purposes of termination of coverage of such child, means a person under the age of eighteen years.

3. SUBSECTION Z OF THIS SECTION, "RELIGIOUS EMPLOYER" MEANS AN ENTITY FOR WHICH ALL OF THE FOLLOWING APPLY:

(a) THE ENTITY PRIMARILY EMPLOYS PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(b) THE ENTITY PRIMARILY SERVES PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(c) THE ENTITY IS A NONPROFIT ORGANIZATION AS DESCRIBED IN SECTION 6033(a)(2)(A)i OR iii OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Sec. 2. Title 20, chapter 4, article 9, Arizona Revised Statutes, is amended by adding section 20-1057.08, to read:

20-1057.08. Prescription contraceptive drugs and devices; definition

A. IF A HEALTH CARE SERVICES ORGANIZATION ISSUES EVIDENCE OF COVERAGE THAT PROVIDES COVERAGE FOR:

1. PRESCRIPTION DRUGS, THE EVIDENCE OF COVERAGE SHALL PROVIDE COVERAGE FOR ANY PRESCRIBED DRUG OR DEVICE THAT IS APPROVED BY THE UNITED STATES FOOD

AND DRUG ADMINISTRATION FOR USE AS A CONTRACEPTIVE. A HEALTH CARE SERVICES ORGANIZATION MAY USE A DRUG FORMULARY, MULTITIERED DRUG FORMULARY OR LIST BUT THAT FORMULARY OR LIST SHALL INCLUDE ORAL, IMPLANT AND INJECTABLE CONTRACEPTIVE DRUGS, INTRAUTERINE DEVICES AND PRESCRIPTION BARRIER METHODS IF THE HEALTH CARE SERVICES ORGANIZATION DOES NOT IMPOSE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR CONTRACEPTIVE DRUGS THAT ARE GREATER THAN THE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR OTHER DRUGS ON THE SAME LEVEL OF THE FORMULARY OR LIST.

2. OUTPATIENT HEALTH CARE SERVICES, THE EVIDENCE OF COVERAGE SHALL PROVIDE COVERAGE FOR OUTPATIENT CONTRACEPTIVE SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH, "OUTPATIENT CONTRACEPTIVE SERVICES" MEANS CONSULTATIONS, EXAMINATIONS, PROCEDURES AND MEDICAL SERVICES PROVIDED ON AN OUTPATIENT BASIS AND RELATED TO THE USE OF UNITED STATES FOOD AND DRUG PRESCRIPTION CONTRACEPTIVE METHODS TO PREVENT UNINTENDED PREGNANCIES.

3. THIS SECTION DOES NOT APPLY TO EVIDENCES OF COVERAGE ISSUED TO INDIVIDUALS ON A NONGROUP BASIS.

B. NOTWITHSTANDING SUBSECTION A, A RELIGIOUS EMPLOYER WHOSE RELIGIOUS TENETS PROHIBIT THE USE OF PRESCRIBED CONTRACEPTIVE METHODS MAY REQUIRE THAT THE HEALTH CARE SERVICES ORGANIZATION PROVIDE COVERAGE THAT EXCLUDES ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS. A RELIGIOUS EMPLOYER SHALL SUBMIT A WRITTEN AFFIDAVIT TO THE HEALTH CARE SERVICES ORGANIZATION STATING THAT IT IS A RELIGIOUS EMPLOYER. ON RECEIPT OF THE AFFIDAVIT, THE HEALTH CARE SERVICES ORGANIZATION SHALL PROVIDE COVERAGE TO THE RELIGIOUS EMPLOYER THAT EXCLUDES PRESCRIPTION CONTRACEPTIVE METHODS. THE HEALTH CARE SERVICES ORGANIZATION SHALL RETAIN THE AFFIDAVIT FOR THE DURATION OF THE COVERAGE AND ANY RENEWALS OF THE COVERAGE.

C. BEFORE ENROLLMENT IN THE HEALTH CARE PLAN, EVERY RELIGIOUS EMPLOYER THAT INVOKES THIS EXEMPTION SHALL PROVIDE PROSPECTIVE ENROLLEES WRITTEN NOTICE THAT THE RELIGIOUS EMPLOYER REFUSES TO COVER ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS FOR RELIGIOUS REASONS.

D. SUBSECTION B DOES NOT EXCLUDE COVERAGE FOR PRESCRIPTION CONTRACEPTIVE METHODS ORDERED BY A HEALTH CARE PROVIDER WITH PRESCRIPTIVE AUTHORITY FOR MEDICAL INDICATIONS OTHER THAN TO PREVENT AN UNINTENDED PREGNANCY. A HEALTH CARE SERVICES ORGANIZATION MAY REQUIRE THE ENROLLEE TO FIRST PAY FOR THE PRESCRIPTION AND THEN SUBMIT A CLAIM TO THE HEALTH CARE SERVICES ORGANIZATION ALONG WITH EVIDENCE THAT THE PRESCRIPTION IS FOR A NONCONTRACEPTIVE PURPOSE. A HEALTH CARE SERVICES ORGANIZATION MAY CHARGE AN ADMINISTRATIVE FEE FOR HANDLING CLAIMS UNDER THIS SUBSECTION.

E. A RELIGIOUS EMPLOYER SHALL NOT DISCRIMINATE AGAINST AN EMPLOYEE WHO INDEPENDENTLY CHOOSES TO OBTAIN INSURANCE COVERAGE OR PRESCRIPTIONS FOR CONTRACEPTIVES FROM ANOTHER SOURCE.

F. FOR THE PURPOSES OF THIS SECTION, "RELIGIOUS EMPLOYER" MEANS AN ENTITY FOR WHICH ALL OF THE FOLLOWING APPLY:

1. THE ENTITY PRIMARILY EMPLOYS PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

2. THE ENTITY SERVES PRIMARILY PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

3. THE ENTITY IS A NONPROFIT ORGANIZATION AS DESCRIBED IN SECTION 6033(a)(2)(A)i OR iii OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Sec. 3. Section 20-1402, Arizona Revised Statutes, is amended to read:

20-1402. Provisions of group disability policies; definitions

A. Each group disability policy shall contain in substance the following provisions:

1. A provision that, in the absence of fraud, all statements made by the policyholder or by any insured person shall be deemed representations and not warranties, and that no statement made for the purpose of effecting insurance shall avoid such insurance or reduce benefits unless contained in a written instrument signed by the policyholder or the insured person, a copy of which has been furnished to the policyholder or to the person or beneficiary.

2. A provision that the insurer will furnish to the policyholder, for delivery to each employee or member of the insured group, an individual certificate setting forth in summary form a statement of the essential features of the insurance coverage of the employee or member and to whom benefits are payable. If dependents or family members are included in the coverage additional certificates need not be issued for delivery to the dependents or family members. Any policy, except accidental death and dismemberment, applied for that provides family coverage shall, as to such coverage of family members, also provide that the benefits applicable for children shall be payable with respect to a newly born child of the insured from the instant of such child's birth, to a child adopted by the insured, regardless of the age at which the child was adopted, and to a child who has been placed for adoption with the insured and for whom the application and approval procedures for adoption pursuant to section 8-105 or 8-108 have been completed to the same extent that such coverage applies to other members of the family. The coverage for newly born or adopted children or children placed for adoption shall include coverage of injury or sickness including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities. If payment of a specific premium is required to provide coverage for a child, the policy may require that notification of birth, adoption or adoption placement of the child and payment of the required premium must be furnished to the insurer within thirty-one days after the date of birth, adoption or adoption placement in order to have the coverage continue beyond such thirty-one day period.

3. A provision that to the group originally insured may be added from time to time eligible new employees or members or dependents, as the case may be, in accordance with the terms of the policy.

4. Each contract shall be so written that the corporation shall pay benefits:

(a) For performance of any surgical service that is covered by the terms of such contract, regardless of the place of service.

(b) For any home health services that are performed by a licensed home health agency and that a physician has prescribed in lieu of hospital services, as defined by the director, providing the hospital services would have been covered.

(c) For any diagnostic service that a physician has performed outside a hospital in lieu of inpatient service, providing the inpatient service would have been covered.

(d) For any service performed in a hospital's outpatient department or in a freestanding surgical facility, providing such service would have been covered if performed as an inpatient service.

5. A group disability insurance policy that provides coverage for the surgical expense of a mastectomy shall also provide coverage incidental to the patient's covered mastectomy for the expense of reconstructive surgery of the breast on which the mastectomy was performed, surgery and reconstruction of the other breast to produce a symmetrical appearance, prostheses, treatment of physical complications for all stages of the mastectomy, including lymphedemas, and at least two external postoperative prostheses subject to all of the terms and conditions of the policy.

6. A contract, except a supplemental contract covering a specified disease or other limited benefits, that provides coverage for surgical services for a mastectomy shall also provide coverage for mammography screening performed on dedicated equipment for diagnostic purposes on referral by a patient's physician, subject to all of the terms and conditions of the policy and according to the following guidelines:

(a) A baseline mammogram for a woman from age thirty-five to thirty-nine.

(b) A mammogram for a woman from age forty to forty-nine every two years or more frequently based on the recommendation of the woman's physician.

(c) A mammogram every year for a woman fifty years of age and over.

7. Any contract that is issued to the insured and that provides coverage for maternity benefits shall also provide that the maternity benefits apply to the costs of the birth of any child legally adopted by the insured if all the following are true:

(a) The child is adopted within one year of birth.

(b) The insured is legally obligated to pay the costs of birth.

(c) All preexisting conditions and other limitations have been met by the insured.

(d) The insured has notified the insurer of the insured's acceptability to adopt children pursuant to section 8-105, within sixty days

after such approval or within sixty days after a change in insurance policies, plans or companies.

8. The coverage prescribed by paragraph 7 of this subsection is excess to any other coverage the natural mother may have for maternity benefits except coverage made available to persons pursuant to title 36, chapter 29, but not including coverage made available to persons defined as eligible under section 36-2901, paragraph 6, subdivisions (b), (c), (d) and (e). If such other coverage exists the agency, attorney or individual arranging the adoption shall make arrangements for the insurance to pay those costs that may be covered under that policy and shall advise the adopting parent in writing of the existence and extent of the coverage without disclosing any confidential information such as the identity of the natural parent. The insured adopting parents shall notify their insurer of the existence and extent of the other coverage.

B. Any policy that provides maternity benefits shall not restrict benefits for any hospital length of stay in connection with childbirth for the mother or the newborn child to less than forty-eight hours following a normal vaginal delivery or ninety-six hours following a cesarean section. The policy shall not require the provider to obtain authorization from the insurer for prescribing the minimum length of stay required by this subsection. The policy may provide that an attending provider in consultation with the mother may discharge the mother or the newborn child before the expiration of the minimum length of stay required by this subsection. The insurer shall not:

1. Deny the mother or the newborn child eligibility or continued eligibility to enroll or to renew coverage under the terms of the policy solely for the purpose of avoiding the requirements of this subsection.

2. Provide monetary payments or rebates to mothers to encourage those mothers to accept less than the minimum protections available pursuant to this subsection.

3. Penalize or otherwise reduce or limit the reimbursement of an attending provider because that provider provided care to any insured under the policy in accordance with this subsection.

4. Provide monetary or other incentives to an attending provider to induce that provider to provide care to an insured under the policy in a manner that is inconsistent with this subsection.

5. Except as described in subsection C of this section, restrict benefits for any portion of a period within the minimum length of stay in a manner that is less favorable than the benefits provided for any preceding portion of that stay.

C. Nothing in subsection B of this section:

1. Requires a mother to give birth in a hospital or to stay in the hospital for a fixed period of time following the birth of the child.

2. Prevents an insurer from imposing deductibles, coinsurance or other cost sharing in relation to benefits for hospital lengths of stay in

connection with childbirth for a mother or a newborn child under the policy, except that any coinsurance or other cost sharing for any portion of a period within a hospital length of stay required pursuant to subsection B of this section shall not be greater than the coinsurance or cost sharing for any preceding portion of that stay.

3. Prevents an insurer from negotiating the level and type of reimbursement with a provider for care provided in accordance with subsection B of this section.

D. Any contract that provides coverage for diabetes shall also provide coverage for equipment and supplies that are medically necessary and that are prescribed by a health care provider including:

1. Blood glucose monitors.

2. Blood glucose monitors for the legally blind.

3. Test strips for glucose monitors and visual reading and urine testing strips.

4. Insulin preparations and glucagon.

5. Insulin cartridges.

6. Drawing up devices and monitors for the visually impaired.

7. Injection aids.

8. Insulin cartridges for the legally blind.

9. Syringes and lancets including automatic lancing devices.

10. Prescribed oral agents for controlling blood sugar that are included on the plan formulary.

11. To the extent coverage is required under medicare, podiatric appliances for prevention of complications associated with diabetes.

12. Any other device, medication, equipment or supply for which coverage is required under medicare from and after January 1, 1999. The coverage required in this paragraph is effective six months after the coverage is required under medicare.

E. Nothing in subsection D of this section prohibits a group disability insurer from imposing deductibles, coinsurance or other cost sharing in relation to benefits for equipment or supplies for the treatment of diabetes.

F. Any contract that provides coverage for prescription drugs shall not limit or exclude coverage for any prescription drug prescribed for the treatment of cancer on the basis that the prescription drug has not been approved by the United States food and drug administration for the treatment of the specific type of cancer for which the prescription drug has been prescribed, if the prescription drug has been recognized as safe and effective for treatment of that specific type of cancer in one or more of the standard medical reference compendia prescribed in subsection G of this section or medical literature that meets the criteria prescribed in subsection G of this section. The coverage required under this subsection includes covered medically necessary services associated with the administration of the prescription drug. This subsection does not:

1. Require coverage of any prescription drug used in the treatment of a type of cancer if the United States food and drug administration has determined that the prescription drug is contraindicated for that type of cancer.

2. Require coverage for any experimental prescription drug that is not approved for any indication by the United States food and drug administration.

3. Alter any law with regard to provisions that limit the coverage of prescription drugs that have not been approved by the United States food and drug administration.

4. Require reimbursement or coverage for any prescription drug that is not included in the drug formulary or list of covered prescription drugs specified in the contract.

5. Prohibit a contract from limiting or excluding coverage of a prescription drug, if the decision to limit or exclude coverage of the prescription drug is not based primarily on the coverage of prescription drugs required by this section.

6. Prohibit the use of deductibles, coinsurance, copayments or other cost sharing in relation to drug benefits and related medical benefits offered.

G. For the purposes of subsection F of this section:

1. The acceptable standard medical reference compendia are the following:

(a) The American medical association drug evaluations, a publication of the American medical association.

(b) The American hospital formulary service drug information, a publication of the American society of health system pharmacists.

(c) Drug information for the health care provider, a publication of the United States pharmacopoeia convention.

2. Medical literature may be accepted if all of the following apply:

(a) At least two articles from major peer reviewed professional medical journals have recognized, based on scientific or medical criteria, the drug's safety and effectiveness for treatment of the indication for which the drug has been prescribed.

(b) No article from a major peer reviewed professional medical journal has concluded, based on scientific or medical criteria, that the drug is unsafe or ineffective or that the drug's safety and effectiveness cannot be determined for the treatment of the indication for which the drug has been prescribed.

(c) The literature meets the uniform requirements for manuscripts submitted to biomedical journals established by the international committee of medical journal editors or is published in a journal specified by the United States department of health and human services as acceptable peer reviewed medical literature pursuant to section 186(t)(2)(B) of the social security act (42 United States Code section 1395x(t)(2)(B)).

H. Any contract that is offered by a group disability insurer and that contains a prescription drug benefit shall provide coverage of medical foods to treat inherited metabolic disorders as provided by this section.

I. The metabolic disorders triggering medical foods coverage under this section shall:

1. Be part of the newborn screening program prescribed in section 36-694.

2. Involve amino acid, carbohydrate or fat metabolism.

3. Have medically standard methods of diagnosis, treatment and monitoring including quantification of metabolites in blood, urine or spinal fluid or enzyme or DNA confirmation in tissues.

4. Require specially processed or treated medical foods that are generally available only under the supervision and direction of a physician who is licensed pursuant to title 32, chapter 13 or 17, that must be consumed throughout life and without which the person may suffer serious mental or physical impairment.

J. Medical foods eligible for coverage under this section shall be prescribed or ordered under the supervision of a physician licensed pursuant to title 32, chapter 13 or 17 as medically necessary for the therapeutic treatment of an inherited metabolic disease.

K. An insurer shall cover at least fifty per cent of the cost of medical foods prescribed to treat inherited metabolic disorders and covered pursuant to this section. An insurer may limit the maximum annual benefit for medical foods under this section to five thousand dollars, which applies to the cost of all prescribed modified low protein foods and metabolic formula.

L. ANY GROUP DISABILITY POLICY THAT PROVIDES COVERAGE FOR:

1. PRESCRIPTION DRUGS SHALL ALSO PROVIDE COVERAGE FOR ANY PRESCRIBED DRUG OR DEVICE THAT IS APPROVED BY THE UNITED STATES FOOD AND DRUG ADMINISTRATION FOR USE AS A CONTRACEPTIVE. A GROUP DISABILITY INSURER MAY USE A DRUG FORMULARY, MULTITIERED DRUG FORMULARY OR LIST BUT THAT FORMULARY OR LIST SHALL INCLUDE ORAL, IMPLANT AND INJECTABLE CONTRACEPTIVE DRUGS, INTRAUTERINE DEVICES AND PRESCRIPTION BARRIER METHODS IF THE GROUP DISABILITY INSURER DOES NOT IMPOSE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR CONTRACEPTIVE DRUGS THAT ARE GREATER THAN THE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR OTHER DRUGS ON THE SAME LEVEL OF THE FORMULARY OR LIST.

2. OUTPATIENT HEALTH CARE SERVICES SHALL ALSO PROVIDE COVERAGE FOR OUTPATIENT CONTRACEPTIVE SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH, "OUTPATIENT CONTRACEPTIVE SERVICES" MEANS CONSULTATIONS, EXAMINATIONS, PROCEDURES AND MEDICAL SERVICES PROVIDED ON AN OUTPATIENT BASIS AND RELATED TO THE USE OF UNITED STATES FOOD AND DRUG PRESCRIPTION CONTRACEPTIVE METHODS TO PREVENT UNINTENDED PREGNANCIES.

M. NOTWITHSTANDING SUBSECTION L OF THIS SECTION, A RELIGIOUS EMPLOYER WHOSE RELIGIOUS TENETS PROHIBIT THE USE OF PRESCRIBED CONTRACEPTIVE METHODS

MAY REQUIRE THAT THE INSURER PROVIDE A GROUP DISABILITY POLICY WITHOUT COVERAGE FOR ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS. A RELIGIOUS EMPLOYER SHALL SUBMIT A WRITTEN AFFIDAVIT TO THE INSURER STATING THAT IT IS A RELIGIOUS EMPLOYER. ON RECEIPT OF THE AFFIDAVIT, THE INSURER SHALL ISSUE TO THE RELIGIOUS EMPLOYER A GROUP DISABILITY POLICY THAT EXCLUDES COVERAGE OF PRESCRIPTION CONTRACEPTIVE METHODS. THE INSURER SHALL RETAIN THE AFFIDAVIT FOR THE DURATION OF THE GROUP DISABILITY POLICY AND ANY RENEWALS OF THE POLICY. BEFORE A POLICY IS ISSUED, EVERY RELIGIOUS EMPLOYER THAT INVOKES THIS EXEMPTION SHALL PROVIDE PROSPECTIVE INSUREDS WRITTEN NOTICE THAT THE RELIGIOUS EMPLOYER REFUSES TO COVER ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS FOR RELIGIOUS REASONS. THIS SUBSECTION SHALL NOT EXCLUDE COVERAGE FOR PRESCRIPTION CONTRACEPTIVE METHODS ORDERED BY A HEALTH CARE PROVIDER WITH PRESCRIPTIVE AUTHORITY FOR MEDICAL INDICATIONS OTHER THAN TO PREVENT AN UNINTENDED PREGNANCY. AN INSURER MAY REQUIRE THE INSURED TO FIRST PAY FOR THE PRESCRIPTION AND THEN SUBMIT A CLAIM TO THE INSURER ALONG WITH EVIDENCE THAT THE PRESCRIPTION IS FOR A NONCONTRACEPTIVE PURPOSE. AN INSURER MAY CHARGE AN ADMINISTRATIVE FEE FOR HANDLING THESE CLAIMS. A RELIGIOUS EMPLOYER SHALL NOT DISCRIMINATE AGAINST AN EMPLOYEE WHO INDEPENDENTLY CHOOSES TO OBTAIN INSURANCE COVERAGE OR PRESCRIPTIONS FOR CONTRACEPTIVES FROM ANOTHER SOURCE.

~~L.~~ N. For the purposes of:

1. This section:

(a) "Inherited metabolic disorder" means a disease caused by an inherited abnormality of body chemistry and includes a disease tested under the newborn screening program prescribed in section 36-694.

(b) "Medical foods" means modified low protein foods and metabolic formula.

(c) "Metabolic formula" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to be deficient in one or more of the nutrients present in typical foodstuffs.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

(d) "Modified low protein foods" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to contain less than one gram of protein per unit of serving, but does not include a natural food that is naturally low in protein.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

2. Subsection A of this section, the term "child", for purposes of initial coverage of an adopted child or a child placed for adoption but not for purposes of termination of coverage of such child, means a person under the age of eighteen years.

3. SUBSECTION M OF THIS SECTION, "RELIGIOUS EMPLOYER" MEANS AN ENTITY FOR WHICH ALL OF THE FOLLOWING APPLY:

(a) THE ENTITY PRIMARILY EMPLOYS PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(b) THE ENTITY SERVES PRIMARILY PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(c) THE ENTITY IS A NONPROFIT ORGANIZATION AS DESCRIBED IN SECTION 6033(a)(2)(A)i OR iii OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Sec. 4. Section 20-1404, Arizona Revised Statutes, is amended to read:

20-1404. Blanket disability insurance; definitions

A. Blanket disability insurance is that form of disability insurance covering special groups of persons as enumerated in one of the following paragraphs:

1. Under a policy or contract issued to any common carrier, which shall be deemed the policyholder, covering a group defined as all persons who may become passengers on such common carrier.

2. Under a policy or contract issued to an employer, who shall be deemed the policyholder, covering all employees or any group of employees defined by reference to exceptional hazards incident to such employment. Dependents of the employees and guests of the employer may also be included where exposed to the same hazards.

3. Under a policy or contract issued to a college, school or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder, covering students or teachers.

4. Under a policy or contract issued in the name of any volunteer fire department or first aid or other such volunteer group, or agency having jurisdiction thereof, which shall be deemed the policyholder, covering all of the members of such fire department or group.

5. Under a policy or contract issued to a creditor, who shall be deemed the policyholder, to insure debtors of the creditor.

6. Under a policy or contract issued to a sports team or to a camp or sponsor thereof, which team or camp or sponsor thereof shall be deemed the policyholder, covering members or campers.

7. Under a policy or contract that is issued to any other substantially similar group and that, in the discretion of the director, may be subject to the issuance of a blanket disability policy or contract.

B. An individual application need not be required from a person covered under a blanket disability policy or contract, nor shall it be necessary for the insurer to furnish each person with a certificate.

C. All benefits under any blanket disability policy shall be payable to the person insured, or to the insured's designated beneficiary or beneficiaries, or to the insured's estate, except that if the person insured is a minor, such benefits may be made payable to the insured's parent or guardian or any other person actually supporting the insured, and except that the policy may provide that all or any portion of any indemnities provided by any such policy on account of hospital, nursing, medical or surgical services may, at the insurer's option, be paid directly to the hospital or person rendering such services, but the policy may not require that the service be rendered by a particular hospital or person. Payment so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

D. Nothing contained in this section shall be deemed to affect the legal liability of policyholders for the death of or injury to any member of the group.

E. Any policy or contract, except accidental death and dismemberment, applied for that provides family coverage shall, as to such coverage of family members, also provide that the benefits applicable for children shall be payable with respect to a newly born child of the insured from the instant of such child's birth, to a child adopted by the insured, regardless of the age at which the child was adopted, and to a child who has been placed for adoption with the insured and for whom the application and approval procedures for adoption pursuant to section 8-105 or 8-108 have been completed to the same extent that such coverage applies to other members of the family. The coverage for newly born or adopted children or children placed for adoption shall include coverage of injury or sickness including necessary care and treatment of medically diagnosed congenital defects and birth abnormalities. If payment of a specific premium is required to provide coverage for a child, the policy or contract may require that notification of birth, adoption or adoption placement of the child and payment of the required premium must be furnished to the insurer within thirty-one days after the date of birth, adoption or adoption placement in order to have the coverage continue beyond the thirty-one day period.

F. Each policy or contract shall be so written that the insurer shall pay benefits:

1. For performance of any surgical service that is covered by the terms of such contract, regardless of the place of service.

2. For any home health services that are performed by a licensed home health agency and that a physician has prescribed in lieu of hospital services, as defined by the director, providing the hospital services would have been covered.

3. For any diagnostic service that a physician has performed outside a hospital in lieu of inpatient service, providing the inpatient service would have been covered.

4. For any service performed in a hospital's outpatient department or in a freestanding surgical facility, providing such service would have been covered if performed as an inpatient service.

G. A blanket disability insurance policy that provides coverage for the surgical expense of a mastectomy shall also provide coverage incidental to the patient's covered mastectomy for the expense of reconstructive surgery of the breast on which the mastectomy was performed, surgery and reconstruction of the other breast to produce a symmetrical appearance, prostheses, treatment of physical complications for all stages of the mastectomy, including lymphedemas, and at least two external postoperative prostheses subject to all of the terms and conditions of the policy.

H. A contract that provides coverage for surgical services for a mastectomy shall also provide coverage for mammography screening performed on dedicated equipment for diagnostic purposes on referral by a patient's physician, subject to all of the terms and conditions of the policy and according to the following guidelines:

1. A baseline mammogram for a woman from age thirty-five to thirty-nine.

2. A mammogram for a woman from age forty to forty-nine every two years or more frequently based on the recommendation of the woman's physician.

3. A mammogram every year for a woman fifty years of age and over.

I. Any contract that is issued to the insured and that provides coverage for maternity benefits shall also provide that the maternity benefits apply to the costs of the birth of any child legally adopted by the insured if all the following are true:

1. The child is adopted within one year of birth.

2. The insured is legally obligated to pay the costs of birth.

3. All preexisting conditions and other limitations have been met by the insured.

4. The insured has notified the insurer of his acceptability to adopt children pursuant to section 8-105, within sixty days after such approval or within sixty days after a change in insurance policies, plans or companies.

J. The coverage prescribed by subsection I of this section is excess to any other coverage the natural mother may have for maternity benefits except coverage made available to persons pursuant to title 36, chapter 29,

but not including coverage made available to persons defined as eligible under section 36-2901, paragraph 6, subdivisions (b), (c), (d) and (e). If such other coverage exists the agency, attorney or individual arranging the adoption shall make arrangements for the insurance to pay those costs that may be covered under that policy and shall advise the adopting parent in writing of the existence and extent of the coverage without disclosing any confidential information such as the identity of the natural parent. The insured adopting parents shall notify their insurer of the existence and extent of the other coverage.

K. Any contract that provides maternity benefits shall not restrict benefits for any hospital length of stay in connection with childbirth for the mother or the newborn child to less than forty-eight hours following a normal vaginal delivery or ninety-six hours following a cesarean section. The contract shall not require the provider to obtain authorization from the insurer for prescribing the minimum length of stay required by this subsection. The contract may provide that an attending provider in consultation with the mother may discharge the mother or the newborn child before the expiration of the minimum length of stay required by this subsection. The insurer shall not:

1. Deny the mother or the newborn child eligibility or continued eligibility to enroll or to renew coverage under the terms of the contract solely for the purpose of avoiding the requirements of this subsection.

2. Provide monetary payments or rebates to mothers to encourage those mothers to accept less than the minimum protections available pursuant to this subsection.

3. Penalize or otherwise reduce or limit the reimbursement of an attending provider because that provider provided care to any insured under the contract in accordance with this subsection.

4. Provide monetary or other incentives to an attending provider to induce that provider to provide care to an insured under the contract in a manner that is inconsistent with this subsection.

5. Except as described in subsection L of this section, restrict benefits for any portion of a period within the minimum length of stay in a manner that is less favorable than the benefits provided for any preceding portion of that stay.

L. Nothing in subsection K of this section:

1. Requires a mother to give birth in a hospital or to stay in the hospital for a fixed period of time following the birth of the child.

2. Prevents an insurer from imposing deductibles, coinsurance or other cost sharing in relation to benefits for hospital lengths of stay in connection with childbirth for a mother or a newborn child under the contract, except that any coinsurance or other cost sharing for any portion of a period within a hospital length of stay required pursuant to subsection K of this section shall not be greater than the coinsurance or cost sharing for any preceding portion of that stay.

3. Prevents an insurer from negotiating the level and type of reimbursement with a provider for care provided in accordance with subsection K of this section.

M. Any contract that provides coverage for diabetes shall also provide coverage for equipment and supplies that are medically necessary and that are prescribed by a health care provider including:

1. Blood glucose monitors.

2. Blood glucose monitors for the legally blind.

3. Test strips for glucose monitors and visual reading and urine testing strips.

4. Insulin preparations and glucagon.

5. Insulin cartridges.

6. Drawing up devices and monitors for the visually impaired.

7. Injection aids.

8. Insulin cartridges for the legally blind.

9. Syringes and lancets including automatic lancing devices.

10. Prescribed oral agents for controlling blood sugar that are included on the plan formulary.

11. To the extent coverage is required under medicare, podiatric appliances for prevention of complications associated with diabetes.

12. Any other device, medication, equipment or supply for which coverage is required under medicare from and after January 1, 1999. The coverage required in this paragraph is effective six months after the coverage is required under medicare.

N. Nothing in subsection M of this section prohibits a blanket disability insurer from imposing deductibles, coinsurance or other cost sharing in relation to benefits for equipment or supplies for the treatment of diabetes.

O. Any contract that provides coverage for prescription drugs shall not limit or exclude coverage for any prescription drug prescribed for the treatment of cancer on the basis that the prescription drug has not been approved by the United States food and drug administration for the treatment of the specific type of cancer for which the prescription drug has been prescribed, if the prescription drug has been recognized as safe and effective for treatment of that specific type of cancer in one or more of the standard medical reference compendia prescribed in subsection P of this section or medical literature that meets the criteria prescribed in subsection P of this section. The coverage required under this subsection includes covered medically necessary services associated with the administration of the prescription drug. This subsection does not:

1. Require coverage of any prescription drug used in the treatment of a type of cancer if the United States food and drug administration has determined that the prescription drug is contraindicated for that type of cancer.

2. Require coverage for any experimental prescription drug that is not approved for any indication by the United States food and drug administration.

3. Alter any law with regard to provisions that limit the coverage of prescription drugs that have not been approved by the United States food and drug administration.

4. Require reimbursement or coverage for any prescription drug that is not included in the drug formulary or list of covered prescription drugs specified in the contract.

5. Prohibit a contract from limiting or excluding coverage of a prescription drug, if the decision to limit or exclude coverage of the prescription drug is not based primarily on the coverage of prescription drugs required by this section.

6. Prohibit the use of deductibles, coinsurance, copayments or other cost sharing in relation to drug benefits and related medical benefits offered.

P. For the purposes of subsection O of this section:

1. The acceptable standard medical reference compendia are the following:

(a) The American medical association drug evaluations, a publication of the American medical association.

(b) The American hospital formulary service drug information, a publication of the American society of health system pharmacists.

(c) Drug information for the health care provider, a publication of the United States pharmacopoeia convention.

2. Medical literature may be accepted if all of the following apply:

(a) At least two articles from major peer reviewed professional medical journals have recognized, based on scientific or medical criteria, the drug's safety and effectiveness for treatment of the indication for which the drug has been prescribed.

(b) No article from a major peer reviewed professional medical journal has concluded, based on scientific or medical criteria, that the drug is unsafe or ineffective or that the drug's safety and effectiveness cannot be determined for the treatment of the indication for which the drug has been prescribed.

(c) The literature meets the uniform requirements for manuscripts submitted to biomedical journals established by the international committee of medical journal editors or is published in a journal specified by the United States department of health and human services as acceptable peer reviewed medical literature pursuant to section 186(t)(2)(B) of the social security act (42 United States Code section 1395x(t)(2)(B)).

Q. Any contract that is offered by a blanket disability insurer and that contains a prescription drug benefit shall provide coverage of medical foods to treat inherited metabolic disorders as provided by this section.

R. The metabolic disorders triggering medical foods coverage under this section shall:

1. Be part of the newborn screening program prescribed in section 36-694.

2. Involve amino acid, carbohydrate or fat metabolism.

3. Have medically standard methods of diagnosis, treatment and monitoring including quantification of metabolites in blood, urine or spinal fluid or enzyme or DNA confirmation in tissues.

4. Require specially processed or treated medical foods that are generally available only under the supervision and direction of a physician who is licensed pursuant to title 32, chapter 13 or 17, that must be consumed throughout life and without which the person may suffer serious mental or physical impairment.

S. Medical foods eligible for coverage under this section shall be prescribed or ordered under the supervision of a physician licensed pursuant to title 32, chapter 13 or 17 as medically necessary for the therapeutic treatment of an inherited metabolic disease.

T. An insurer shall cover at least fifty per cent of the cost of medical foods prescribed to treat inherited metabolic disorders and covered pursuant to this section. An insurer may limit the maximum annual benefit for medical foods under this section to five thousand dollars which applies to the cost of all prescribed modified low protein foods and metabolic formula.

U. ANY BLANKET DISABILITY POLICY THAT PROVIDES COVERAGE FOR:

1. PRESCRIPTION DRUGS SHALL ALSO PROVIDE COVERAGE FOR ANY PRESCRIBED DRUG OR DEVICE THAT IS APPROVED BY THE UNITED STATES FOOD AND DRUG ADMINISTRATION FOR USE AS A CONTRACEPTIVE. A BLANKET DISABILITY INSURER MAY USE A DRUG FORMULARY, MULTITIERED DRUG FORMULARY OR LIST BUT THAT FORMULARY OR LIST SHALL INCLUDE ORAL, IMPLANT AND INJECTABLE CONTRACEPTIVE DRUGS, INTRAUTERINE DEVICES AND PRESCRIPTION BARRIER METHODS IF THE BLANKET DISABILITY INSURER DOES NOT IMPOSE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR CONTRACEPTIVE DRUGS THAT ARE GREATER THAN THE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR OTHER DRUGS ON THE SAME LEVEL OF THE FORMULARY OR LIST.

2. OUTPATIENT HEALTH CARE SERVICES SHALL ALSO PROVIDE COVERAGE FOR OUTPATIENT CONTRACEPTIVE SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH, "OUTPATIENT CONTRACEPTIVE SERVICES" MEANS CONSULTATIONS, EXAMINATIONS, PROCEDURES AND MEDICAL SERVICES PROVIDED ON AN OUTPATIENT BASIS AND RELATED TO THE USE OF UNITED STATES FOOD AND DRUG PRESCRIPTION CONTRACEPTIVE METHODS TO PREVENT UNINTENDED PREGNANCIES.

V. NOTWITHSTANDING SUBSECTION U OF THIS SECTION, A RELIGIOUS EMPLOYER WHOSE RELIGIOUS TENETS PROHIBIT THE USE OF PRESCRIBED CONTRACEPTIVE METHODS MAY REQUIRE THAT THE INSURER PROVIDE A BLANKET DISABILITY POLICY WITHOUT COVERAGE FOR ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS. A RELIGIOUS EMPLOYER SHALL SUBMIT A WRITTEN AFFIDAVIT TO THE

INSURER STATING THAT IT IS A RELIGIOUS EMPLOYER. ON RECEIPT OF THE AFFIDAVIT, THE INSURER SHALL ISSUE TO THE RELIGIOUS EMPLOYER A BLANKET DISABILITY POLICY THAT EXCLUDES COVERAGE OF PRESCRIPTION CONTRACEPTIVE METHODS. THE INSURER SHALL RETAIN THE AFFIDAVIT FOR THE DURATION OF THE BLANKET DISABILITY POLICY AND ANY RENEWALS OF THE POLICY. BEFORE A POLICY IS ISSUED, EVERY RELIGIOUS EMPLOYER THAT INVOKES THIS EXEMPTION SHALL PROVIDE PROSPECTIVE INSUREDS WRITTEN NOTICE THAT THE RELIGIOUS EMPLOYER REFUSES TO COVER ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS FOR RELIGIOUS REASONS. THIS SUBSECTION SHALL NOT EXCLUDE COVERAGE FOR PRESCRIPTION CONTRACEPTIVE METHODS ORDERED BY A HEALTH CARE PROVIDER WITH PRESCRIPTIVE AUTHORITY FOR MEDICAL INDICATIONS OTHER THAN TO PREVENT AN UNINTENDED PREGNANCY. AN INSURER MAY REQUIRE THE INSURED TO FIRST PAY FOR THE PRESCRIPTION AND THEN SUBMIT A CLAIM TO THE INSURER ALONG WITH EVIDENCE THAT THE PRESCRIPTION IS FOR A NONCONTRACEPTIVE PURPOSE. AN INSURER MAY CHARGE AN ADMINISTRATIVE FEE FOR HANDLING THESE CLAIMS UNDER THIS PARAGRAPH. A RELIGIOUS EMPLOYER SHALL NOT DISCRIMINATE AGAINST AN EMPLOYEE WHO INDEPENDENTLY CHOOSES TO OBTAIN INSURANCE COVERAGE OR PRESCRIPTIONS FOR CONTRACEPTIVES FROM ANOTHER SOURCE.

~~U.~~ W. For the purposes of:

1. This section:

(a) "Inherited metabolic disorder" means a disease caused by an inherited abnormality of body chemistry and includes a disease tested under the newborn screening program prescribed in section 36-694.

(b) "Medical foods" means modified low protein foods and metabolic formula.

(c) "Metabolic formula" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to be deficient in one or more of the nutrients present in typical foodstuffs.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

(d) "Modified low protein foods" means foods that are all of the following:

(i) Formulated to be consumed or administered enterally under the supervision of a physician who is licensed pursuant to title 32, chapter 13 or 17.

(ii) Processed or formulated to contain less than one gram of protein per unit of serving, but does not include a natural food that is naturally low in protein.

(iii) Administered for the medical and nutritional management of a person who has limited capacity to metabolize foodstuffs or certain nutrients contained in the foodstuffs or who has other specific nutrient requirements as established by medical evaluation.

(iv) Essential to a person's optimal growth, health and metabolic homeostasis.

2. Subsection E of this section, the term "child", for purposes of initial coverage of an adopted child or a child placed for adoption but not for purposes of termination of coverage of such child, means a person under the age of eighteen years.

3. SUBSECTION V OF THIS SECTION, "RELIGIOUS EMPLOYER" MEANS AN ENTITY FOR WHICH ALL OF THE FOLLOWING APPLY:

(a) THE ENTITY PRIMARILY EMPLOYS PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(b) THE ENTITY SERVES PRIMARILY PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

(c) THE ENTITY IS A NONPROFIT ORGANIZATION AS DESCRIBED IN SECTION 6033(a)(2)(A)i OR iii OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Sec. 5. Title 20, chapter 13, article 1, Arizona Revised Statutes, is amended by adding section 20-2329, to read:

20-2329. Prescription contraceptive drugs and devices; definition

A. AN ACCOUNTABLE HEALTH PLAN THAT PROVIDES A HEALTH BENEFITS PLAN THAT PROVIDES COVERAGE FOR:

1. PRESCRIPTION DRUGS SHALL ALSO PROVIDE COVERAGE FOR ANY PRESCRIBED DRUG OR DEVICE THAT IS APPROVED BY THE UNITED STATES FOOD AND DRUG ADMINISTRATION FOR USE AS A CONTRACEPTIVE. AN ACCOUNTABLE HEALTH PLAN MAY USE A DRUG FORMULARY, MULTITIERED DRUG FORMULARY OR LIST BUT THAT FORMULARY OR LIST SHALL INCLUDE ORAL, IMPLANT AND INJECTABLE CONTRACEPTIVE DRUGS, INTRAUTERINE DEVICES AND PRESCRIPTION BARRIER METHODS IF THE ACCOUNTABLE HEALTH PLAN DOES NOT IMPOSE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR CONTRACEPTIVE DRUGS THAT ARE GREATER THAN THE DEDUCTIBLES, COINSURANCE, COPAYMENTS OR OTHER COST CONTAINMENT MEASURES FOR OTHER DRUGS ON THE SAME LEVEL OF THE FORMULARY OR LIST.

2. OUTPATIENT HEALTH CARE SERVICES SHALL ALSO PROVIDE COVERAGE FOR OUTPATIENT CONTRACEPTIVE SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH, "OUTPATIENT CONTRACEPTIVE SERVICES" MEANS CONSULTATIONS, EXAMINATIONS, PROCEDURES AND MEDICAL SERVICES PROVIDED ON AN OUTPATIENT BASIS AND RELATED TO THE USE OF UNITED STATES FOOD AND DRUG PRESCRIPTION CONTRACEPTIVE METHODS TO PREVENT UNINTENDED PREGNANCIES.

B. NOTWITHSTANDING SUBSECTION A, A RELIGIOUS EMPLOYER WHOSE RELIGIOUS TENETS PROHIBIT THE USE OF PRESCRIBED CONTRACEPTIVE METHODS MAY REQUIRE THAT THE ACCOUNTABLE HEALTH PLAN PROVIDE A HEALTH BENEFITS PLAN WITHOUT COVERAGE FOR ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS. A RELIGIOUS EMPLOYER SHALL SUBMIT A WRITTEN AFFIDAVIT TO THE

ACCOUNTABLE HEALTH PLAN STATING THAT IT IS A RELIGIOUS EMPLOYER. ON RECEIPT OF THE AFFIDAVIT, THE ACCOUNTABLE HEALTH PLAN SHALL ISSUE TO THE RELIGIOUS EMPLOYER A HEALTH BENEFITS PLAN THAT EXCLUDES COVERAGE OF PRESCRIPTION CONTRACEPTIVE METHODS. THE ACCOUNTABLE HEALTH PLAN SHALL RETAIN THE AFFIDAVIT FOR THE DURATION OF THE HEALTH BENEFITS PLAN AND ANY RENEWALS OF THE PLAN.

C. BEFORE ENROLLMENT IN THE PLAN, EVERY RELIGIOUS EMPLOYER THAT INVOKES THIS EXEMPTION SHALL PROVIDE PROSPECTIVE ENROLLEES WRITTEN NOTICE THAT THE RELIGIOUS EMPLOYER REFUSES TO COVER ALL FEDERAL FOOD AND DRUG ADMINISTRATION APPROVED CONTRACEPTIVE METHODS FOR RELIGIOUS REASONS.

D. SUBSECTION B SHALL NOT EXCLUDE COVERAGE FOR PRESCRIPTION CONTRACEPTIVE METHODS ORDERED BY A HEALTH CARE PROVIDER WITH PRESCRIPTIVE AUTHORITY FOR MEDICAL INDICATIONS OTHER THAN TO PREVENT AN UNINTENDED PREGNANCY. AN ACCOUNTABLE HEALTH PLAN MAY REQUIRE THE ENROLLEE TO FIRST PAY FOR THE PRESCRIPTION AND THEN SUBMIT A CLAIM TO THE ACCOUNTABLE HEALTH PLAN ALONG WITH EVIDENCE THAT THE PRESCRIPTION IS FOR A NONCONTRACEPTIVE PURPOSE. AN ACCOUNTABLE HEALTH PLAN MAY CHARGE AN ADMINISTRATIVE FEE FOR HANDLING CLAIMS UNDER THIS SUBSECTION.

E. A RELIGIOUS EMPLOYER SHALL NOT DISCRIMINATE AGAINST AN EMPLOYEE WHO INDEPENDENTLY CHOOSES TO OBTAIN INSURANCE COVERAGE OR PRESCRIPTIONS FOR CONTRACEPTIVES FROM ANOTHER SOURCE.

F. FOR THE PURPOSES OF THIS SECTION, "RELIGIOUS EMPLOYER" MEANS AN ENTITY FOR WHICH ALL OF THE FOLLOWING APPLY:

1. THE ENTITY PRIMARILY EMPLOYS PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

2. THE ENTITY SERVES PRIMARILY PERSONS WHO SHARE THE RELIGIOUS TENETS OF THE ENTITY.

3. THE ENTITY IS A NONPROFIT ORGANIZATION AS DESCRIBED IN SECTION 6033(a)(2)(A)i OR iii OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Sec. 6. Applicability

This act applies to contracts, policies and evidences of coverage issued or renewed from and after December 31, 2002.

APPROVED BY THE GOVERNOR APRIL 21, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 22, 2002.

Passed the House April 2, 2002,

by the following vote: 38 Ayes,

17 Nays, 5 Not Voting

Speaker of the House

Norman L. Moore

Chief Clerk of the House

Passed the Senate April 15, 2002,

by the following vote: 17 Ayes,

10 Nays, 3 Not Voting

President of the Senate

Charmion Billington

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

16 day of April, 2002

at 1:31 o'clock P M.

Sandra Ramirez

Secretary to the Governor

Approved this 24th day of

April, 2002,

at 5:20 o'clock P M.

Jane Dee Hull

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 22 day of April, 2002

at 4:40 o'clock P. M.

Secretary of State

H.B. 2234